

# Inspector General

United States  
Department of Defense



## Air Force Management of the U.S. Government Aviation Into-Plane Reimbursement Card® Program

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## Acronyms and Abbreviations

AIR Card®	U.S. Government Aviation Into-Plane Reimbursement Card®
CPM	Component Program Manager
DESC	Defense Energy Support Center
DFAS	Defense Finance and Accounting Service
FES	Fuel Automated System Enterprise Server
GFC	Government Fuel Card
MSC	Multi Service Corporation



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

March 6, 2009


MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL  
MANAGEMENT AND COMPTROLLER)  
DIRECTOR DEFENSE LOGISTICS AGENCY

SUBJECT: Air Force Management of the U.S. Government Aviation Into-Plane Reimbursement  
Card<sup>®</sup> Program (Report No. D-2009-059)

We are providing this report for information and use. We considered comments from the Department of the Air Force when preparing the final report.

The Director, Air Force Operations comments on the draft report conformed to the requirements of DOD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8866 (DSN 664-8866).



Joseph R. Oliva, CPA  
Assistant Inspector General  
Readiness, Operations, and Support



March 6, 2009



# Results in Brief: Air Force Management of the U.S. Government Aviation Into-Plane Reimbursement Card<sup>®</sup> Program

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## What We Did

We evaluated whether the Air Force complied with regulations in its use of the U.S. Government Aviation Into-Plane Reimbursement Card<sup>®</sup> (AIR Card<sup>®</sup>)\* and whether the controls were effective for processing charge card payments for transactions from January 1, 2005, through June 13, 2007.

## What We Found

We identified an internal control weakness. Air Force internal controls over the AIR Card were inadequate for:

- verifying and reconciling \$14.4 million in charges,
- retaining receipts, and
- accounting for cards.

As a result, Air Force units:

- did not investigate at least \$284,322 in questioned billings and request applicable credits;
- incurred questioned fuel and ground service charges, totaling \$456,737, for retired aircraft no longer in service; and
- paid \$1.6 million in questioned noncontract fuel purchases in excess of contract fuel prices at locations with existing Defense Energy Support Center Into-Plane fuel contracts.

We identified a total of \$2.3 million in questioned charges.

## What We Recommend

We recommend that the Director, Air Force Operations:

- develop and disseminate supplemental, Air Force-specific guidance and procedures on use of the AIR Card,
- establish an organizational reporting and oversight structure for the AIR Card Program,
- develop an Air Force-specific training program and ensure training for all personnel involved in the AIR Card functions,
- research questioned charges and request refunds where applicable, and
- cancel active AIR Cards for retired aircraft.

## Management Comments and Our Response

The Air Force Director of Operations, Deputy Chief of Staff, Operations, Plans, and Requirements agreed with the recommendations and has initiated actions to develop Air Force AIR Card guidance, assign agency program coordinators at major commands, develop a standardized training program for all Air Force personnel involved with the AIR Card functions, and cancel AIR Cards when an aircraft is retired. The Air Force comments were responsive and meet the intent of the recommendations.

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\*The Defense Energy Support Center registered "U.S. Government Aviation Into-Plane Reimbursement Card" and "AIR Card" as DoD-owned trademarks.

## Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Director, Air Force Operations		1., 2., 3., and 4.a., 4.b., 4.c.

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# Introduction

This audit report is the second in a series of reports on the DoD management of the U.S. Government Aviation Into-Plane Reimbursement Card<sup>®</sup> (AIR Card<sup>®</sup>). Previously, we evaluated the Army's program.

## Objectives

Our overall audit objective was to evaluate whether the Air Force complied with regulations in its use of the AIR Card and whether it had effective controls for processing charge card payments for transactions from January 1, 2005, through June 13, 2007. See Appendix A for a discussion of the scope and methodology and prior coverage related to the objectives.

## Background

The Air Force has two types of charge cards embossed with specific aircraft information: an Identaplate for refueling on military installations and the AIR Card for refueling at commercial airports. The Defense Energy Support Center (DESC) has a long-term goal to replace the Identaplate with the AIR Card for use at all military installations. The AIR Card is a commercially accepted charge card that DoD, Federal agencies, and State and local law enforcement agencies use to purchase aviation fuel, fuel-related supplies, and ground support services worldwide. Examples of ground services include deicing, lavatory services, catering, towing, ramp fees, hangar rentals, and landing fees. The embossed AIR Card shows the aircraft tail number, the responsible branch or agency, and the AIR Card account number.

The AIR Card can be electronically swiped or mechanically imprinted, or the information can be handwritten onto a commercial delivery ticket. From January 1, 2005, through June 13, 2007, DoD Components used the AIR Card to purchase aviation fuel and ground services worth about \$1.1 billion.



## *Use of the AIR Card and Billing Process*

DESC established into-plane contract agreements with commercial fuel vendors worldwide, who are required to accept the AIR Card for aviation fuel purchased at a contracted fuel rate. Aircrews must use the AIR Card to purchase aviation fuel at DESC Into-Plane contract locations. They may also use it to purchase aviation fuel from noncontract vendors when necessary; however, there is not a negotiated fuel rate at these other locations.

**Figure 1. Aircraft Being Refueled**



Source: Michael J. Freer, "Lockheed C-5A Galaxy," *Airliners.Net*

Since January 1, 2005, DESC has tasked Multi Service Corporation (MSC), the current AIR Card contractor, to issue AIR Cards to military units and other Federal civilian agencies. MSC is responsible for providing AIR Card Web site training, processing AIR Card transactions that include paying suppliers and billing units, and maintaining a database of information on AIR Card users, transactions, AIR Cards, aircraft, and billing and payment history. During the scope of our audit, from January 1, 2005, through June 13, 2007, MSC processed 452,288 Air Force line-item transactions valued at \$691.2 million for aviation fuel, taxes, fees, and ground service charges. The MSC Web site provides locations of approved aviation fuel merchants and additional AIR Card Program information for cardholders, accountable officials, certifying officials, and merchants.

An AIR Card transaction occurs when an aircraft lands at a commercial airport and requires fuel or ground service support. The aircrew presents the AIR Card to the supplier, who records the sale. The aircrew signs the purchase receipt and retains a copy of the signed receipt for the aircrew unit's<sup>1</sup> files. For fuel, MSC sends billing information to DESC, which processes the charge and authorizes the Defense Finance and Accounting Service (DFAS) to pay the contract fuel provider directly, or to pay MSC for noncontract fuel. For ground support services, MSC pays the merchant and then bills the unit that owns the serviced aircraft.

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<sup>1</sup>A unit includes organizations such as operations groups, maintenance groups, commands, squadrons, and refueling wings.

## **Review of Internal Controls**

We determined that a material internal control weakness existed in the Air Force's management of the AIR Card program as defined by DoD Instruction 5010.40. The Air Force Component Program Manager (CPM) did not have adequate controls over the AIR Card program. The CPM did not adequately oversee the AIR Card program at the Major Command and unit levels, provide necessary oversight for units to account for all AIR Cards issued, or periodically review AIR Card transactions. Recommendations 1 through 4.c., if implemented, will correct the material internal control weakness and lower the risk of incorrect charges and payments. A copy of the report will be provided to the senior official responsible for internal controls in the Air Force.



# **Finding. Air Force Controls Over AIR Card Transactions and Accountability Need Improvement**

Air Force units did not comply with AIR Card regulations. Specifically, they did not have effective controls over the management of the card and did not always reconcile card charges, retain card receipts, or account for cards in compliance with regulations. Because the Air Force CPM<sup>2</sup> believed that DESC policy and training were adequate, he did not provide sufficient administration and oversight of subordinate commands. The CPM did not develop supplemental guidance to implement DESC AIR Card policy, establish an organizational structure to provide oversight and guidance to subordinate units, or develop an Air Force-specific AIR Card training program.

As a result, Air Force units:

- did not review the validity of \$14.4 million of questioned receipt transactions before or after payment,
- did not investigate and request applicable credits for at least \$284,322 in questioned charges,
- incurred questioned charges totaling \$457,000 for five retired aircraft, and
- incurred \$1.6 million in questioned purchases of noncontract fuel in excess of contract fuel prices at locations with fuel contracts.

Unless the Air Force establishes the organizational structure to provide the required guidance, oversight, and training, AIR Card inefficiencies will continue.

## **Air Force AIR Card Transactions**

Controls over AIR Card receipt reconciliation and retention were inadequate. Units did not reconcile charges recorded in the fuel system to AIR Card receipts. In addition, unit accountable officials were not aware of receipt retention requirements, or they did not obtain AIR Card receipts in support of fuel and ground service purchases.

### ***Reconciling Charges With Receipts***

After fueling or receiving ground services for their aircraft, aircrews sign a sales receipt. Upon return to their assigned base, aircrews provide all receipts to their mission debrief personnel, who should forward the receipts to the accountable official to reconcile a bill before payment. Receipts should include the location, vendor, date, number of gallons or type of service, fuel grade, aircraft tail number, and signature of the aircrew member.

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<sup>2</sup>The Air Force Operations Group is the Air Force CPM for the AIR Card®.

The processes for billing and payment are different for fuel and ground services. The AIR Card contractor, MSC, receives the bill from the vendor and passes contract fuel bills directly to DESC for vendor payment. MSC pays noncontract fuel vendors and then bills DESC. DESC certifies that appropriated funds are available for payment, transmits the billing data to DFAS for payment, and enters fuel-billing information into the Fuel Automated System Enterprise Server (FES). Since December 5, 2006, Into-Plane contract fuel charges have also been included. FES allows officials, including unit accountable officials, to view and verify fuel transactions and avoid payments of questionable charges.

FES is a Web-based fuel system that collects, routes, and reports transactions among bases and contractors, and provides visibility of bulk fuel assets and transactions to Services, combatant commanders, vendors, DESC, DFAS, and other entities. The system also interfaces with service financial systems for daily-automated financial obligation feeds. Through the Military Standard Billing System, DFAS bills the Air Force units that received the fuel. For ground services, the AIR Card contractor bills the Air Force unit that received the service. The Air Force unit's accountable official compares the charges with receipts, and the certifying official certifies that the charges are correct and forwards the bill to DFAS for payment. DFAS then pays the bill.

We visited 10 units at 9 Air Force sites. These units were under five Major Commands and the Air National Guard, including the Air Education and Training Command; Air Force Reserve Command; Air Force Special Operations Command; Air Mobility Command; Air National Guard; and U.S. Air Forces in Europe. A detailed list of units visited is provided by Major Command in Appendix A. From January 1, 2005, through June 13, 2007, the sampled units processed 122,093 transactions totaling \$244.9 million.

Of the 122,093 transactions, we judgmentally sampled 3,734, totaling \$76.5 million. Of these sampled transactions, the 10 units did not reconcile 2,095, totaling \$14.4 million, with FES or ground service invoices. See Table 1.

Our discussions with personnel and review at the units disclosed various reasons for not performing the reconciliation. Reasons included not having receipts, being unaware of requirements, having too little time to reconcile, having differing procedural responsibilities, and having differing methodologies for reconciling and certifying AIR Card transactions. For example, the five squadron fuel managers at the 12<sup>th</sup> Operations Group, Randolph Air Force Base, entered fuel and ground services receipt transactions into a spreadsheet stored on a common drive. The fuel managers retained the receipts. However, the fuel managers did not reconcile the transactions with FES or ground service invoices because the managers believed the accountable official at the 12<sup>th</sup> Operations Group performed the reconciliation. The accountable official did not reconcile the transactions because she thought that the fuel managers or personnel at the Air Force Materiel Command, Wright-Patterson Air Force Base, performed the reconciliations.

**Table 1. Unreconciled Transactions**

	Location	Sample Size		Transactions Not Reconciled	
		Charges	Amount	Charges	Amount
1.	12 <sup>th</sup> Operations Group	88	\$245,959	88	\$245,959
2.	47 <sup>th</sup> Operations Group	90	119,883	47	72,218
3.	60 <sup>th</sup> Operations Group	475	21,809,210	108	4,866,004
4.	86 <sup>th</sup> Maintenance Group	448	1,654,453	340	521,423
5.	89 <sup>th</sup> Operations Group	687	2,206,341	687	2,206,341
6.	108 <sup>th</sup> Air Refueling Wing	149	2,292,768	149	2,292,768
7.	302 <sup>nd</sup> Aircraft Maintenance Squadron	359	917,734	315	418,748
8.	305 <sup>th</sup> Operations Group	477	20,487,213	2	111,437
9.	352 <sup>nd</sup> Special Operations Group	286	897,714	286	897,714
10.	437 <sup>th</sup> Operations Group	675	25,830,050	73	2,723,744
	<b>Total</b>	<b>3,734</b>	<b>\$76,461,326*</b>	<b>2,095</b>	<b>\$14,356,356</b>

\*Note: Column does not total because of rounding.

In addition to visiting 10 units, we analyzed transactions in the AIR Card database maintained by the contractor, MSC, to identify anomalies in the data. We determined 57 units made 215 fuel purchases that exceeded the capacity of the aircraft, totaling at least 2.3 million gallons valued at \$3.8 million. We issued a data call to the 57 units to obtain explanations for the 215 questionable transactions.

Of the 57 units queried, 30 responded to our data call, stating 133 questionable transactions totaling 1.4 million excess gallons, valued at \$2.6 million, were caused by recording the quantity in liters instead of in gallons, charging fuel to the wrong aircraft, recording quantity errors on delivery tickets, and fueling more than one aircraft on the same AIR Card. Of the 30 units responding to our data call, 5 failed to investigate and request applicable credits for 13 transactions totaling 140,806 excess gallons, valued at \$284,322. See Table 2. When we notified the Air Force CPM of the 13 potential overbillings, he told us that he had instructed operations group commanders to work with MSC to correct the overbillings.

**Table 2. Questioned Transactions Not Investigated**

	Unit	Number of Transactions	Overcharged Amount
1.	23 <sup>rd</sup> Flying Training Squadron	2	\$22,075
2.	33 <sup>rd</sup> Fighter Wing	1	48,445
3.	47 <sup>th</sup> Operations Group	5	5,106
4.	62 <sup>nd</sup> Operations Group	2	116,341
5.	C-12 Program Office	3	92,355
	<b>Total</b>	<b>13</b>	<b>\$284,322</b>



We also informed the Air Force CPM that the remaining 27 units did not respond to our data call. Potential overbilling for the 27 units was \$1.2 million for 896,960 gallons. He stated that he established a mid-January 2009 completion date for the Major Command agency program coordinators to investigate potential overbillings at the 27 units that did not respond to our data call.

Also, in its database, MSC categorized ground services generated by Air Force units under descriptions that did not match the specific categories provided on the purchase receipts. Of 73 judgmentally sampled ground service transactions at one unit, 60<sup>th</sup> Operations Group, Travis Air Force Base, totaling \$101,759, we determined that MSC had miscategorized 21 transactions with charges of \$16,436. For example, one transaction receipt showed a charge of \$884 for a Ramp Fee. Although the database had a category for Ramp Fee, MSC recorded the charge under International Ground Handling. Recording charges under incorrect categories hinders Air Force accountable officials' reconciliation of ground service bills with receipts and can result in payment of erroneous charges. We notified the DESC AIR Card contracting officer about this matter, and she took action. She told us DESC has weekly teleconferences with MSC and CPMs to discuss on-going projects, including the issue of product codes. MSC is contacting the vendors when they submit a miscellaneous charge and documenting the correct charge. Also, in a July 18, 2008, letter, DESC directed MSC to formally communicate to the vendors that proper coding is required.

DESC interim policy P-8, "[Government Fuel Card] Program Roles, Responsibilities, and Accountability," January 10, 2006, specifies roles, responsibilities, and accountability for the AIR Card. The policy states that the certifying official is responsible for ensuring timely reconciliation and payment of all invoices. See Appendix B for details on roles and responsibilities.

The "DoD Government Charge Card Guidebook for Establishing and Managing Purchase, Travel, and Fuel Card Programs," January 21, 2005, which was updated January 2006, states that the Air Force units' accountable officials are to determine whether all transactions are legal, proper, mission-essential, and correct; monthly billing accounts are accurate; transaction documentation is the original; and informal compliance reviews are conducted.

The Air Force CPM must issue supplemental guidance to require Air Force officials to conduct a reconciliation of FES and ground service invoices. In addition, the Air Force CPM should direct accountable officials at the five units to review the 13 questioned overpayments, totaling \$284,322, and request credits where applicable.

### ***Retaining AIR Card Receipts***

The Air Force must improve its record retention of AIR Card receipts. We judgmentally sampled 3,734 transactions at the 10 units we visited under 5 Major Commands and the Air National Guard. Of the 3,734 transactions reviewed, totaling \$76.5 million, receipts for 1,551 transactions, totaling \$11.7 million, were missing. The receipts were missing

because accountable officials and other personnel involved at the 10 units were not aware of retention requirements or did not obtain the receipts from the aircrews, mission debrief personnel, maintenance personnel, or the repair depot. See Table 3.

**Table 3. Transactions Not Found, by Unit**

	Unit	Sample Size		Transaction Not Found		Percent Not Found*	
		Charges	Amount	Charges	Amount	Charges	Amount
1.	12 <sup>th</sup> Operations Group	88	\$245,959	46	\$129,101	52.3	52.5
2.	47 <sup>th</sup> Operations Group	90	119,883	35	68,360	38.9	57.0
3.	60 <sup>th</sup> Operations Group	475	21,809,210	108	4,866,004	22.7	22.3
4.	86 <sup>th</sup> Maintenance Group	448	1,654,453	311	496,502	69.4	30.0
5.	89 <sup>th</sup> Operations Group	687	2,206,341	334	1,555,542	48.6	70.5
6.	108 <sup>th</sup> Air Refueling Wing,	149	2,292,768	42	405,516	28.2	17.7
7.	302 <sup>nd</sup> Aircraft Maintenance Squadron	359	917,734	315	418,748	87.7	45.6
8.	305 <sup>th</sup> Operations Group	477	20,487,213	2	111,437	0.4	0.5
9.	352 <sup>nd</sup> Special Operations Group	286	897,714	285	895,189	99.7	99.7
10.	437 <sup>th</sup> Operations Group	675	25,830,050	73	2,723,744	10.8	10.5
	<b>Total</b>	<b>3,734</b>	<b>\$76,461,326**</b>	<b>1,551</b>	<b>\$11,670,145**</b>	<b>41.5</b>	<b>15.3</b>

\* Judgmental sample percentage does not generalize to universe.

\*\* Column does not total because of rounding.

Our discussions with Air Force unit personnel disclosed that some had knowledge of record retention requirements, and others did not. Actual receipt retention varied within units from no knowledge of requirements and not retaining receipts to retaining receipts for various periods. For example, the accountable official at the 352<sup>nd</sup> Special Operations Group was not aware of AIR Card receipt retention requirements and had no receipts on hand before our audit. However, Special Operations Group personnel were able to locate one receipt for \$2,525 from our sample of 286 transactions after we arrived, and various other fuel receipts not included in our sample for 2005 and 2007. The unit was missing receipts for 285 transactions (99.7%), totaling \$895,189, of our sample totaling \$897,414. The receipts were missing because the accountable official and maintenance personnel were unaware of a requirement to retain receipts and maintenance personnel did not

forward the receipts to the accountable official. Existing Air Force policy conflicts with DoD policy on record retention, which may have contributed to the lack of receipt retention.

- DoD Regulation 7000.14-R, “Financial Management Regulation,” August 2000, volume 1, chapter 9, identifies the National Archives and Records Administration as the authority for disposing of Government records. National Archives and Records Administration General Records Schedule 6, “Accountable Officers’ Accounts Records,” Paragraph 1a, “Accountable Officers Files,” December 1998, states that accountable officer’s financial files must be maintained on-site for Government Accountability Office audit for 6 years and 3 months.
- DESC interim policy P-8, January 10, 2006, directs AIR Card users to retain receipts for 6 years and 3 months.
- The Air Force Record Disposition Schedule Records Table 11-02, “Purchase of Aviation Fuel and Oil,” Rule 08.00, “Flying Operations – Aircraft Assignment, Utilization and Aviation Fuel Records,” modified May 2005, states that the Air Force invoices covering purchases from domestic commercial firms, Government activities other than the U.S. Air Force, or foreign government sources may be destroyed after 2 years.
- Air Force Record Disposition Schedule Records Table 65-19, “Financial Management – Commercial Services – Financial Records,” Rule 13, “Accrued Expenditures Paid,” modified August 2007, states that accrued expenditures paid, which are expenditure vouchers with original supporting documents, can be destroyed 6 years and 3 months after the period covered by account.
- The Air Force Record Disposition Schedule, “Records Management Implementing Instructions,” states that the records disposition schedules are mandatory for use by all Air Force activities.

Without receipts, accountable officials cannot perform reconciliations with FES records or with invoices for ground services. The inability to reconcile receipts with bills could result in payment of erroneous charges. To ensure receipts are retained, the Air Force CPM should issue guidance requiring retention of AIR Card records.

## **Accountability for AIR Cards**

Controls for accounting for AIR Cards were inadequate. Specifically, AIR Card data sources were inaccurate, resulting in some aircraft appearing to have multiple AIR Cards and retired aircraft having active AIR Cards. In addition, accountable officials did not periodically check their inventory of AIR Cards against records in the MSC-maintained database.

## ***Accuracy of the AIR Card Data Sources***

Two data sources exist for the accountable officials to check AIR Cards officially assigned to their unit. The first source is the MSC-maintained AIR Card database. The accountable official is responsible for initiating any changes to the AIR Card database. The accountable official contacts DESC directly to initiate a change. However, since January 2007, the accountable official could also request a change through the accountable official AIR Card Web site. DESC approves the change and then authorizes MSC to make the change. The second source is FES. DESC keeps the same MSC-maintained AIR Card data on FES and updates the information daily with MSC-processed change records. Both data sources were inaccurate.

## **Multiple AIR Cards**

In addition to visiting 10 units, we conducted a query of FES on AIR Cards active as of September 11, 2007, which identified 6,470 aircraft with 6,552 AIR Cards assigned; 81 aircraft appeared to have multiple AIR Cards assigned. For example, at the 20<sup>th</sup> Operations Group at Shaw Air Force Base, an F-16C model, had three AIR Cards assigned. All three AIR Cards were issued on the same day. The DoD Government Charge Card Guidebook states that AIR Cards generally are limited to one per aircraft, and exceptions require component-level approval. We provided this list of multiple AIR Cards to DESC personnel, who compared the list with the AIR Card database. DESC determined that MSC's AIR Card database included a card status category of "inactive" to allow MSC to process charges after an AIR Card was canceled. However, FES did not include "inactive" as an approved status category, so FES listed inactive AIR Cards as active. Therefore, FES listed multiple AIR Cards per aircraft as active AIR Cards. As a result of the audit, the Air Force canceled all 82 multiple AIR Cards for the 81 aircraft, and on January 15, 2008, DESC developed and implemented a procedure to identify aircraft with multiple AIR Cards to correct the problem of multiple AIR Cards.

## **Retired Aircraft**

A query of FES on AIR Cards, active as of September 11, 2007, compared to a list of retired aircraft provided by the CPM determined that the Air Force had 481 retired aircraft with 483 active AIR Cards assigned to 42 units. DESC told us the AIR Cards were not canceled because retired aircraft entering Davis-Monthan Air Force Base are coded as being in a depot. Unless the losing unit's accountable official notifies DESC of the aircraft retirement, DESC would not know the AIR Card should be canceled. Upon notification, DESC canceled 260 of the 483 AIR Cards. The Air Force continued to review the remaining 223 AIR Cards.

Subsequently, we obtained a list from Davis-Monthan of aircraft that were out of service. The Secretary of Defense directed the consolidation of all military aircraft storage and disposition centers into a single center located at Davis-Monthan. The center provides customer services, including aircraft restoration to flying status, limited depot-level maintenance, and parts reclamation, in addition to storage and disposal. The list of aircraft in storage, dated April 16, 2008, included all the retired aircraft in inventory. We compared the list with the list of AIR Cards in FES to identify additional active

AIR Cards. We identified an additional 118 active AIR Cards for retired aircraft and provided the list to the Air Force for action. Of the remaining 341 cards (223 plus 118), the Air Force and DESC notified us that they canceled 161 as of August 19, 2008. On September 4, 2008, DESC informed us that it had terminated 179 more cards. The remaining card belonged to an aircraft that the Air Force reactivated.

In addition, we compared the list of aircraft in storage with the list of AIR Cards in the MSC-maintained AIR Card database to identify charges against retired aircraft. We identified 5 aircraft that had incurred 74 questioned charges, totaling \$457,000, after the aircraft were retired. See Table 4.

**Table 4. Aircraft With Charges After Retirement**

	<b>Aircraft Tail Number</b>	<b>Model</b>	<b>Date of Arrival in Storage</b>	<b>Date of Last Transaction</b>	<b>Number of Charges</b>	<b>Total Charged</b>
1	60000108	T-37B	9/2/2005	8/4/2006	8	\$2,958
2	63007854	C-130E	12/19/2000	6/4/2007	61	401,882
3	66000164	C-141B	2/19/2004	1/31/2006	1	279
4	66008307	C-5A	1/21/2004	7/31/2005	1	50,948
5.	84000068	C-21A	1/26/2007	4/19/2007	3	670
	<b>Total</b>				<b>74</b>	<b>\$456,737</b>

We provided the Air Force CPM with a list of the 74 charges, totaling \$456,737, to determine the validity of the charges. DESC notified us that the 71<sup>st</sup> Fighter Wing, Vance Air Force Base, is disputing the eight charges totaling \$2,958. The 463<sup>rd</sup> Airlift Group, Little Rock Air Force Base, used one AIR Card for multiple aircraft for 61 charges totaling \$401,882. The 436<sup>th</sup> Operations Group, Dover Air Force Base, was charged \$50,948 to the wrong aircraft. The Air Force continued to research the \$279 charge at the 164<sup>th</sup> Airlift Wing, Memphis Air National Guard, and the \$670 charge at the 86<sup>th</sup> Maintenance Group, Ramstein Air Base. On February 5, 2009, the Air Force informed us that a DESC representative researched and finalized the \$456,737 in questioned charges.

The DoD Charge Card Guidebook requires that the AIR Card be assigned to specific aircraft and stay with the assigned aircraft when it is transferred. The accountable official should provide the CPM with the required information to cancel an AIR Card. It is the responsibility of the transferring unit's AIR Card accountable official to provide the AIR Card contractor with the billing and aircraft information so that MSC can update the AIR Card database.

### ***Inventory of AIR Cards***

We inventoried 343 of the 851 AIR Cards assigned to the 10 units visited. None of the 10 accountable officials periodically inventoried their AIR Cards or reconciled their AIR Cards with the MSC-maintained AIR Card database. AIR Cards were kept on each aircraft with maintenance personnel in control of the AIR Cards. Maintenance personnel did not notify accountable officials when aircraft and corresponding AIR Cards

transferred in or out of their unit. Accountable officials generally discovered changes in card status when the units received charges against a new card or when the accountable officials checked the MSC database or FES.

Our inventory of 343 cards on-hand compared with FES disclosed three discrepancies. We found one canceled AIR Card on an aircraft at the 12<sup>th</sup> Operations Group, Randolph Air Force Base and another at the 108<sup>th</sup> Air Refueling Wing, McGuire Air Force Base. The 12<sup>th</sup> and 108<sup>th</sup> destroyed the canceled cards. We also found one card at the 352<sup>nd</sup> Special Operations Group, Royal Air Force, Mildenhall, UK, that was assigned to another base according to FES. In addition, the FES list included 148 AIR Cards that were not on-hand because the aircraft had been transferred to another base, were retired, or could not be located. For example, six aircraft were listed on FES as active at the 60<sup>th</sup> Operations Group, Travis Air Force Base, but were not on the Air Force's list of active or inactive aircraft, or in the local AIR Card and aircraft inventories.

The DoD Charge Card Guidebook states that it is the responsibility of the transferring unit's AIR Card accountable official to provide the AIR Card contractor with the billing and aircraft information so that the contractor can update the AIR Card database.

At the time of our review, the Air Force did not have any requirement stating that the accountable officials should reconcile the AIR Cards assigned to them in the AIR Card database with actual AIR Cards and aircraft on site.

If accountable officials had conducted a periodic inventory and reconciled the assigned AIR Cards with the MSC-maintained AIR Card database, they would have identified most, if not all, aircraft with multiple AIR Cards and retired aircraft with active AIR Cards. The Air Force CPM must issue guidance requiring accountable officials to periodically reconcile all AIR Cards listed as assigned to them in the AIR Card database with actual AIR Cards and aircraft on site. The CPM must also require the accountable officials to correct the discrepancies noted in this report.

## **AIR Card Administration and Oversight**

Administration, oversight, and controls over AIR Cards and charges were inadequate because units lacked guidance, oversight, and training. The Air Force CPM, believing DESC policy and training were adequate for Air Force purposes, did not:

- publish supplemental guidance to implement DESC policy,
- establish an organizational structure to provide oversight and guidance to subordinate units, or
- develop Air Force-specific AIR Card training.

As a result, in addition to the unreconciled transactions, erroneous billings, and charges against retired aircraft, the Air Force incurred \$1.6 million in charges for noncontract fuel purchases in excess of contract fuel prices at the top 14 locations with fuel contracts.

## ***Policy and Guidance***

Air Force Instruction 23-202, “Buying Petroleum Products, and Other Supplies and Services Off-Station,” July 19, 1994, provided guidance on purchases of non-Air Force aviation fuel. The Instruction was issued before the use of the AIR Card and provided instructions on how the aircrew should handle receipts and how resource personnel should certify vendor invoices. The instruction was rescinded May 26, 2006. As of August 29, 2008, the Air Force had not issued guidance implementing DESC AIR Card policy. None of the accountable officials at the 10 units reviewed was aware of any current Air Force or Major Command policy or guidance on the management of the AIR Card Program. Furthermore, accountable officials at six units under four Major Commands, and the Air National Guard, were unaware of the DESC Web site or guidance available to them. The Air Force CPM told us that he did not issue any policy or guidance because he believed that DESC policy was adequate for Air Force purposes.

## ***Organizational Structure***

The Air Force’s AIR Card program structure did not provide for adequate oversight by the Major Commands or installations to ensure that program processes were established and implemented. Before February 16, 2005, the Air Force Comptroller and the Petroleum Office were responsible for the management of the AIR Card program. After February 16, 2005, the Air Force moved responsibility to the Air Force Operations Group. On February 16, 2005, DESC requested that the Air Force provide a CPM for the AIR Card program. The Air Force responded to DESC on September 1, 2005, naming the Air Force Operations Group as CPM. Currently, the CPM office, within the Air Force Operations Group, consists of the CPM and his action officer, who are responsible for managing the AIR Card program. Their responsibilities to the AIR Card program are as “other duties” and not part of their primary responsibility.

According to DESC interim policy P-8, the CPM is responsible for establishing a management structure for coordinating and ensuring that the agency program coordinators are properly appointed in writing, trained, certified, and capable of performing their duties sufficiently to meet DESC-sponsored fuel charge card requirements. Below the CPM, the responsibility for the AIR Card rests with the agency program coordinator located at Major Commands. The agency program coordinator must maintain detailed knowledge and understanding of the agency’s policies and procedures regarding the AIR Card program. The agency program coordinator must communicate this information to Card users, accountable officials, managers, and other responsible officials. Accountable officials are responsible for supporting the certification of payment vouchers and documents for vendor payment. See Appendix B for details on roles and responsibilities.

During the audit, we contacted 5 Major Commands and the Air National Guard for the 10 units to identify agency program coordinators. Officials for three of the Major Commands and the Air National Guard stated they had no agency program coordinators and provided no oversight, guidance, or training to units concerning the AIR Card program. Additionally, they stated they received no AIR Card-related oversight, guidance, or training from the CPM. The remaining two Major Commands – Air Education Training Command and Air Force Special Operations Command – never

responded to our inquiries regarding agency program coordinators, administration, and oversight. Discussions with the 10 units visited confirmed they had not received any AIR Card guidance or oversight from their Major Command or the Air National Guard.

After the completion of audit work, the CPM provided us with a list of agency program coordinators for four of the nine Major Commands and the Air National Guard, but was unable to provide us with the agency program coordinators for the remaining five Major Commands. The list included agency program coordinators for the Air National Guard and two of the five Major Commands involved in the audit. See Table 5.

**Table 5. Agency Program Coordinators**

	<b>Major Command</b>	<b>APC Identified</b>
1.	Air Combat Command	Yes
2.	Air Education and Training Command	No
3.	Air Force Materiel Command	No
4.	Air Force Reserve Command	Yes
5.	Air Force Special Operations Command	No
6.	Air Force Space Command	Yes
7.	Air Mobility Command	Yes
8.	Air National Guard	Yes
9.	Pacific Air Forces	No
10.	U.S. Air Forces in Europe	No

The Air Force CPM must establish a proper organizational structure that includes agency program coordinators at Major Commands to provide oversight and guidance (see Appendix C for the AIR Card Program Hierarchy). The CPM must also ensure that the agency program coordinators are properly appointed in writing, trained, certified, and capable of performing their duties sufficiently to meet DESC requirements for sponsored fuel charge cards. The Air Force CPM advised us that as of February 5, 2009, eight of the nine Major Commands and the Air National Guard had assigned agency program coordinators. The remaining Major Command was to identify the agency program coordinator no later than February 2009.

## ***Training***

The CPM did not develop Air Force-specific AIR Card training because he thought the DESC training was adequate. At the 10 units we visited, discussion with the assigned accountable officials disclosed that most of them had received on-the-job training. This involved discussion with the previous accountable officials on the duties and responsibilities associated with the AIR Card. However, only 4 of the accountable officials at the 10 units stated they had taken the DESC Web-based AIR Card training for accountable officials. One of the accountable officials stated he considered the DESC training an overview of the AIR Card program, and it was insufficient for management of the Air Force AIR Card program. See Table 6.



Our discussions with certifying officials at the 10 units disclosed that only one had received the DESC Web-based training for certifying officials certifying ground service charges. We further interviewed 43 flight crewmembers at the 10 units and found that none had received the Web-based DESC AIR Card user training.

DESC interim policy P-8 states that the CPM is to develop, coordinate, publish, and disseminate supplemental DoD Fuel Card policy and training materials for the fuel card programs; provide access to agency-specific training sites; and ensure that all fuel card program participants have access to adequate guidance, training, and assistance in routine program matters.

**Table 6. Accountable Official Training**

	Unit	On-the Job Training	DESC Training
1.	Air Education and Training Command/12 <sup>th</sup> Operations Group, Randolph Air Force Base, TX	—	—
2.	Air Education and Training Command/47 <sup>th</sup> Operations Group, Laughlin Air Force Base, TX	—	No
3.	Air Mobility Command/60 <sup>th</sup> Operations Group, Travis Air Force Base, CA	—	Yes
4.	U.S. Air Forces in Europe/86 <sup>th</sup> Maintenance Group/Maintenance Operation Squadron, Ramstein Air Base, Germany	Yes	Yes
5.	Air Mobility Command/89 <sup>th</sup> Operations Group, Andrews Air Force Base, MD	Yes	Yes
6.	Air National Guard/108 <sup>th</sup> Air Refueling Wing, McGuire Air Force Base, NJ	—	No
7.	Air Force Reserve Command/302 <sup>nd</sup> Aircraft Maintenance Squadron, Peterson Air Force Base, CO	Yes	No
8.	Air Mobility Command/305 <sup>th</sup> Operations Group, McGuire Air Force Base, NJ	Yes	Yes
9.	Air Force Special Operations Command/352 <sup>nd</sup> Special Operations Group, Royal Air Force Mildenhall, UK	Yes	No
10.	Air Mobility Command/437 <sup>th</sup> Operations Group, Charleston, SC	No	No

Note: A dash indicates information was unavailable.

The DESC training module on the DESC Fuel Card Management Web site includes Web links to Federal and DoD charge card management regulations, Military Standard Billing System guidance, AIR Card dispute process information, and financial records retention policy. In addition to accountable official responsibilities, the training highlights the primary responsibilities of those within the Air Force AIR Card program hierarchy, including CPM, Commands, certifying officials, and AIR Card users. See Appendix D for details.

The CPM must develop an Air Force-specific AIR Card training program and provide the training to all AIR Card officials and users involved in AIR Card functions.

### ***Noncontract Fuel***

In addition to the unreconciled transactions, erroneous billings, and charges against retired aircraft, the Air Force incurred \$1.6 million in questioned noncontract fuel charges in excess of contract fuel prices for noncontract fuel purchased at locations with DESC Into-Plane fuel contracts.

The MSC-maintained AIR Card database showed Air Force noncontract fuel purchases from January 1, 2005, through June 13, 2007, of \$130.4 million. From a limited judgmental sample of 14 sites, totaling \$25 million, we identified nine locations with DESC Into-Plane fuel contracts where the Air Force made noncontract fuel purchases. For example, noncontract fuel purchases at Prestwick, Scotland, totaled \$3.3 million during the audit period, but under the DESC Into-Plane contract in force at the same location during that period, fuel would have cost only \$2.2 million, a difference of \$1.1 million.

At the top 6 locations, there were 577 noncontract fuel purchases, totaling \$6.8 million, made by 39 units under 5 Major Commands and the Air National Guard. See Table 7. (See Appendix E for specific units involved.) We asked the 39 units with noncontract fuel charges in excess of \$10,000 to explain why noncontract fuel was acquired where fuel contracts existed. Of the 39 units, 28 responded. Unit responses included:

- crews were unaware of the existence of the contract fuel vendor;
- mission planners sent the crew to a specific vendor;
- contract fuel service was not available;
- there was an insufficient quantity of contract fuel at the location;
- congestion at the contract fuel ramp would have caused excessive delays;
- American Embassy personnel arranged the refueling; and
- crews were not trained.

The units did not provide documentation to support their stated rationale for purchasing noncontract fuel.

**Table 7. Noncontract Fuel Purchases**

	<b>Command</b>	<b>Number of Units</b>	<b>Number of Transactions</b>	<b>Gallons Purchased</b>	<b>Potential Savings</b>
1.	Air Force Materiel Command	1	8	45,077	\$36,974
2.	Air Force Reserve Command	8	109	437,749	458,769
3.	Air Mobility Command	11	287	1,382,079	422,303
4.	Air National Guard	16	121	413,843	471,549
5.	Pacific Air Forces	1	5	9,999	11,910
6.	U.S. Air Forces in Europe	2	47	30,433	35,282
	<b>Total</b>	<b>39</b>	<b>577</b>	<b>2,319,180</b>	<b>\$1,436,787</b>

If contract fuel was purchased, it would have resulted in a total savings at these six locations of \$1.4 million. The remaining 11 units did not respond to our data call for explanations for 138 noncontract fuel transactions, totaling \$1.2 million, with potential excess expenditures of \$351,287.

DESC Instruction DESC-T-I-31, "Purchase of Aviation Fuel and Services at Commercial Locations," March 17, 2005, provides procedural guidance to AIR Card users who purchase commercial aviation fuel and related ground services at commercial airports. DESC-T-I-31 was issued as interim guidance pending inclusion in DoD 4140.25-M, "DoD Management of Bulk Petroleum Products, Natural Gas, and Coal," June 1994.<sup>3</sup> The instruction states that aircrews are to restrict fuel and service purchases to DESC Into-Plane contractors at commercial airports where DESC Into-Plane contract fuel is available. Aircrews are authorized to purchase fuel and services from any available source or AIR Card merchant when no DESC Into-Plane contract exists at the commercial airport location.

The Air Force issued a memorandum on March 9, 2007, to the Major Commands concerning "Air Force Policy on Using DESC Contracts When Fueling Aircraft." The memorandum stressed that when Defense Fuel Supply Points on military installations are not available, units are to use DESC Into-Plane contract fuel providers to the maximum extent possible. The memorandum provided a Web site to identify a list of DESC Into Plane contract merchants at commercial airport locations and DESC's Web site for AIR Card information.

However, without proactive agency program coordinators at the Major Commands to enforce this guidance, the memorandum's message may not reach the intended recipients or be adequately enforced. In addition, the Air Force CPM needs to issue guidance on the use of noncontract fuel at contract locations. The guidance should require supporting documentation indicating the rationale for using noncontract fuel.

## **Air Force Audit Agency Report**

The Air Force Audit Agency issued Report F2003-0007-FC4000, "Air Force Management of Aviation Fuel Purchases," February 13, 2003, which recommended developing guidance for the reconciliation of off-site fuel transactions, obtaining and retaining receipts, and providing a training program for document control officers and aircrews.

The Air Force concurred with the intent of the recommendations. It stated that it would publish interim operating procedures within 30 days of receipt of interim guidance that the Defense Logistics Agency was to develop in response to a DoD IG report, "Controls for the DoD Aviation Contract Fuel Program (D2002LG-0006). (The report was published June 29, 2004.) The Air Force stated it would implement final Defense

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<sup>3</sup>The instruction supersedes DESC Instruction DESC-T-I-31, September 28, 2004. The instruction was revised September 12, 2005; July 20, 2007; and May 9, 2008. Subsequently, it was renumbered DESC-I-31. No material changes were noted in subsequent versions.

Logistics Agency guidance once it was published. The estimated completion date was April 30, 2003. To date, the Air Force has taken minimal action to finalize and issue policy.

## **Conclusions**

The Air Force AIR Card implementing guidance and organizational structure must be in place to allow the Air Force to oversee and manage its AIR Card program adequately. Bills must be reconciled with receipts for fuel and ground services to minimize erroneous payments. Furthermore, maintenance personnel must notify accountable officials when aircraft ownership changes and accountable officials must periodically inventory the AIR Cards, so that the AIR Card database can be updated and the AIR Card can be tracked. The database must be accurate so that bills are routed to the correct Air Force units. Finally, the Air Force must provide AIR Card training to all personnel involved in the AIR Card program to reduce the number of errors in the process. These actions should prevent or significantly reduce the risk of erroneous billings and misuse of the AIR Card.

During the audit, DESC and the Air Force took steps to increase oversight of the AIR Card program. As of September 4, 2008, DESC and Air Force officials canceled the additional 82 cards assigned to the 81 aircraft identified with multiple cards and canceled the cards assigned to retired aircraft. However, additional steps are needed in providing guidance, oversight, and training.

## **Recommendations, Management Comments, and Our Response**

**We recommend that the Director, Air Force Operations:**

**1. Develop and disseminate Air Force supplemental U.S. Government Aviation Into-Plane Reimbursement Card program guidance that includes reconciling fuel transactions with the Fuel Automated System Enterprise Server, reconciling ground service invoices with signed receipts, canceling AIR Cards for retired aircraft, researching and requesting credits for charges incurred against retired aircraft, retaining documentation, inventorying AIR Cards and aircraft assigned, and documenting the rationale for using noncontract fuel at locations with fuel contracts.**

### ***Department of the Air Force Comments***

The Air Force Director of Operations, Deputy Chief of Staff, Operations, Plans, and Requirements agreed with the recommendation and stated that the Air Force Component Program Manager is working with other internal Air Force agencies, including the Air Force Petroleum Office to modify, update, and create processes and guidance for AIR Card users. He stated that the process to develop specific guidance began as early as August 2008 and is ongoing.

## ***Our Response***

The Air Force Director of Operations, Deputy Chief of Staff, Operations, Plans, and Requirements comments are responsive. The actions planned and taken by the Air Force satisfy the intent of the recommendation and will ensure compliance with DoD regulations.

**2. Establish an AIR Card program organizational structure that includes agency program coordinators at Major Commands to provide oversight and guidance.**

## ***Department of the Air Force Comments***

The Air Force Director of Operations, Deputy Chief of Staff, Operations, Plans, and Requirements agreed with the recommendation and stated that all Air Force Major Commands were directed to assign an agency program coordinator. In fact, 9 of the 10 Air Force Major Commands have assigned an agency program coordinator, and the final Major Command is to identify its agency program coordinator no later than February 2009. Further, he stated that each Major Command was allowed to place the agency coordinator position where it would best meet operational, manpower, and other requirements. He stated that they would work closely with the Air Force Component Program Manager to ensure that proper oversight and guidance was provided to individual wing refueling document control officers, accountable officials, and AIR Card users.

## ***Our Response***

The Air Force Director of Operations, Deputy Chief of Staff, Operations, Plans, and Requirements comments are responsive. The actions planned and taken by the Air Force satisfy the intent of the recommendation.

**3. Develop an Air Force-specific training program and provide training for all Air Force personnel involved in the AIR Card functions, including officials, aircrew members, and maintenance personnel.**

## ***Department of the Air Force Comments***

The Air Force Director of Operations, Deputy Chief of Staff, Operations, Plans, and Requirements agreed with the recommendation and stated that the Air Force Component Program Manager, in conjunction with each Air Force Major Command agency program coordinator, is developing a standardized training program for all Air Force personnel involved with AIR Card functions. He stated that the training would be based on existing Defense Energy Supply Center Training and would be tailored to meet the Air Force requirements. In developing the training, they would coordinate with the organizations involved with the AIR Card. The training and information ideally would be similar to the Navy's Consolidated Card Program Management Division.

Once it is developed and funding requirements are established, the training will be located at an Air Force Component Program Manager Web site that will be accessible to card users. The agency program coordinators will review the training and ensure that

accountable officials complete the training. They will also maintain a record of those who took the training. Further, he stated that agency program coordinators will be responsible for maintaining contact information for each accountable official and ensure that documentation is completed when personnel change.

### ***Our Response***

The Air Force Director of Operations, Deputy Chief of Staff, Operations, Plans, and Requirements comments are responsive. The actions planned and taken by the Air Force satisfy the intent of the recommendation.

#### **4. Direct Air Force units to:**

- a. Research the \$284,322 in questioned charges incurred when fuel purchases exceeded aircraft capacity and request refunds where applicable.**
- b. Cancel active AIR Cards for retired aircraft.**
- c. Research and request appropriate credits for \$457,000 in questioned charges incurred against retired aircraft.**

### ***Department of the Air Force Comments***

The Air Force Director of Operations, Deputy Chief of Staff, Operations, Plans, and Requirements agreed with the recommendation and stated that:

- In January 2009, the Air Force Component Program Manager contacted the agency program coordinators that oversee the units that made the fuel purchases exceeding aircraft capacity and requested the coordinators to research and request refunds if necessary and applicable.
- All active AIR Cards for retired aircraft on the list provided by DoD IG, were canceled, and since January 21, 2009, a new process was established to ensure AIR Cards assigned to aircraft being retired are destroyed.
- DESC researched and finalized the \$456,737 in questioned charges incurred against retired aircraft.

### ***Our Response***

The Air Force Director of Operations, Deputy Chief of Staff, Operations, Plans, and Requirements comments are responsive. The actions planned and taken by the Air Force satisfy the intent of the recommendation.



## Appendix A. Scope and Methodology

We conducted this performance audit from July 2007 through January 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

We reviewed policies, procedures, and instructions for the AIR Card program issued by the Office of Management and Budget, DoD, DESC, and the Air Force. The various documents provide guidance on fuel management and controls for processing AIR Card transactions. We interviewed key personnel involved with the AIR Card at DESC, MSC, DFAS, and the Air Force Operations Group, as well as Air Force personnel at installations we visited. We evaluated the use of the AIR Card and the controls over processing AIR Card payments. We reviewed supporting documentation for AIR Card transactions, including fuel reports, merchant transaction receipts, and fuel tickets. To evaluate controls over the AIR Card, we inventoried AIR Cards, determined whether AIR Cards were assigned to retired Air Force aircraft, and determined whether aircraft had multiple active AIR Cards assigned to them.

We analyzed data obtained from MSC by the DoD IG Data Mining Division on AIR Card purchases from January 1, 2005, through June 13, 2007, and judgmentally selected the units and installations to be visited based on the:

- number and dollar amount of total AIR Card transactions,
- aircraft and AIR Cards in one location,
- location (inside and outside the continental United States), and
- apparent issues from our data mining reviews.

To sample transactions and inventory AIR Cards, we chose 10 units under 5 Major Commands and the Air National Guard. See Table.

Command	Unit
Air Education and Training Command	12 <sup>th</sup> Operations Group, Randolph Air Force Base, TX 47 <sup>th</sup> Operations Group, Laughlin Air Force Base, TX
Air Force Reserve Command	302 <sup>nd</sup> Aircraft Maintenance Squadron, Peterson Air Force Base, CO
Air Force Special Operations Command	352 <sup>nd</sup> Special Operations Group, Royal Air Force Mildenhall, UK
Air Mobility Command	60 <sup>th</sup> Operations Group, Travis Air Force Base, CA 89 <sup>th</sup> Operations Group, Andrews Air Force Base, MD 305 <sup>th</sup> Operations Group, McGuire Air Force Base, NJ 437 <sup>th</sup> Operations Group, Charleston Air Force Base, SC
Air National Guard	108 <sup>th</sup> Air Refueling Wing, McGuire Air Force Base, NJ
United States Air Forces in Europe	86 <sup>th</sup> Maintenance Group, Ramstein Air Base, Germany



For transactions sampled at each location, we compared charge information that the DoD IG Data Mining Division provided with supporting AIR Card receipts. At each location, we judgmentally selected transactions that MSC processed from January 1, 2005, through June 13, 2007, for aircraft assigned to the unit. Additionally, we inventoried AIR Cards for aircraft assigned to each unit.

We also analyzed data in the AIR Card database, maintained by MSC, and data in FES to identify trends and questionable transactions. From this analysis, we sent data calls to the units for explanations of noncontract fuel purchases at locations with fuel contracts, fuel purchases exceeding aircraft capacity, multiple AIR Cards for individual aircraft, inactive aircraft with active AIR Cards, and specific ground service purchases.

Further, we queried FES on AIR Cards active as of September 11, 2007, and compared it to a list of retired aircraft provided by the CPM to determine whether the Air Force had retired aircraft with active AIR Cards assigned.

Our audit scope was limited by nonresponse: 27 units did not respond to our inquiries concerning 82 potential erroneous transactions. Potential overbilling for the 27 units was \$1.2 million. Further, the 30 units that did respond were unable to provide documentation for 88 transactions totaling \$1.7 million. In addition, 11 units did not respond to our data call for explanations of 138 noncontract fuel transactions, totaling \$1.3 million with potential excess expenditures of \$351,287. Finally, two Major Commands did not respond to our inquiries regarding agency program coordinators, administration, and oversight.

## **Use of Computer-Processed Data**

We relied on computer-processed data from MSC, which were obtained by the DoD IG Data Mining Division. We did not perform a formal reliability assessment of the computer-processed data. However, we were able to establish data reliability for the information by comparing data on AIR Card purchases with source documentation. We did not find material errors that would preclude the use of computer-processed data to meet the audit objective or that would change the conclusion of this report.

## **Use of Technical Assistance**

We used the Data Mining Division to obtain computer-processed data from MSC, which consisted of a database of 452,288 Air Force transactions from January 1, 2005, through June 13, 2007, valued at \$691.2 million for aviation fuel, taxes, fees, and ground service charges.

## **Prior Coverage**

During the last 5 years, the Government Accountability Office (GAO), and the Department of Defense Inspector General (DoD IG) have issued three reports discussing purchase cards and fuel purchases. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

### **GAO**

GAO-04-989R, “Sandia National Laboratories: Further Improvements Needed to Strengthen Controls Over the Purchase Card Program,” August 6, 2004

### **DoD IG**

DoD IG Report No. D-2007-132, “Army Use of and Controls Over the DoD Aviation Into-Plane Reimbursement Card,” September 28, 2007

DoD IG Report No. D-2004-096, “Controls Over Purchase Cards at Naval Medical Center San Diego,” June 29, 2004



# **Appendix B. U.S. Government Aviation Into-Plane Reimbursement Card Program Roles, Responsibilities, and Accountability**

## **DoD Executive Agent**

The DoD Executive Agent<sup>1</sup> is required to execute supply chain management for all DoD bulk petroleum and to be responsible for bulk petroleum from the source of supply to the point of customer acceptance. In addition, the DoD executive agent provides DoD with comprehensive energy solutions, negotiates fuel discounts, and awards various fuel supply and service contracts.

## **Government Fuel Card Program Management Office**

The Under Secretary of Defense (Comptroller) formed a DoD Charge Card Task Force in March 2002 that issued a report, “DoD Charge Card Task Force Final Report,” June 27, 2002. The report evaluated DoD charge card programs and offered 25 recommendations for improving them, which included preparing DoD Directive, 7400.aa, “Department of Defense (DoD) Charge Card Programs,” to assign responsibilities for managing charge card programs. DoD officials developed the Directive but it was not signed. However, in anticipation of its being signed, the Director of DESC established the Government Fuel Card (GFC) Program Management Office by General Order No. 06-04, June 15, 2004.

In 2006, DESC rewrote DoD Manual 4140.25-M, volume II, chapter 16, “DoD Fleet Credit Card,” June 12, 2002. The revised chapter was renamed “GFC [Program Management Office], DoD FLEET Card, AIR Card, SEA Card” and includes information on the Program Management Office and each of the three GFCs. DESC submitted the revised chapter on November 29, 2006, and resubmitted it on September 14, 2007, to the Under Secretary of Defense for Logistics and Material Readiness, for review and approval. As of February 18, 2009, the Under Secretary of Defense had not signed the revised chapter.

To provide guidance to AIR Card users, DESC issued interim policies and procedures to use until the revised DoD Manual 4140.25-M was issued. DESC interim policy P-8, January 10, 2006, includes policy for roles, responsibilities, and accountability of the AIR Card program.

The GFC Program Management Office established a Card Program Web site to provide a central location for users to retrieve program information. The GFC public Web site includes GFC policy and guidance, Service Components’ points-of-contact, training for

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<sup>1</sup>An Executive Agent is the head of a DoD Component to whom the Secretary of Defense or his Deputy has assigned specific responsibilities, functions, and authorities to provide defined levels of support for operational missions or administrative or other designated activities that involve two or more DoD Components.

accountable officials and cardholders, information on aircrew use of AIR Cards, fuel purchase data, merchant locations, and links to MSC, the AIR Card contractor's Fuel AIR Card Program Web site.

## **DESC Interim Policy P-8, GFC Program Roles, Responsibilities, and Accountability**

### ***Component Program Manager***

DESC interim policy P-8 requires the Services to appoint a CPM. It states that the CPM will develop, coordinate, publish, and disseminate supplemental DoD Fuel Card policy and training materials for the fuel card programs; provide access to agency-specific training sites; and ensure all GFC program participants have access to adequate guidance, training, and assistance in routine program matters.

### ***Agency Program Coordinator***

The agency program coordinator must maintain detailed knowledge and understanding of the agency's policies and procedures regarding the DoD Card Program and communicate this information to AIR Card users, accountable officials, managers, and other responsible officials. The agency program coordinator must:

- establish and ensure execution of the local AIR Card program in accordance with local procedures and DESC-sponsored fuel charge card guidelines;
- ensure that alternate agency program coordinators, accountable officials, certifying officials, and AIR Card users are properly trained;
- maintain all information for account establishment, including but not limited to identification and address of unit or office, DoD activity address code or other office identification, accounting data, the vehicles/aircraft/vessels for which AIR Cards are to be issued, and point-of-contact information;
- notify the CPM and AIR Card processor of any changes that affect management, reporting, or billing;
- receive, verify, and issue DESC-sponsored AIR Cards as appropriate; and
- ensure that AIR Card users are instructed on the appropriate use of the AIR Card.

### ***Accountable Officials***

An accountable official is responsible for supporting the certification of payment vouchers and documents for vendor payment. Accountable officials are to ensure that a system of internal procedures and controls to cover their portion of the entitlement and payment-related process is in place to minimize erroneous payments and to ensure that all procedural safeguards affecting proposed payments are observed.

## ***Certifying Officials***

The certifying official serves as the primary focal point for receipt of invoices and obligation of funds. The DESC Retail Management Division is the certifying official for all noncontract fuel purchases electronically submitted to FES, and the applicable standard price is billed through the Military Standard Billing System process. Non-fuel purchases are “split” from fuel purchases and are forwarded to applicable certifying officials for validation and payment from an operation and maintenance account, paid through the unit home station payment office or equivalent finance office for Federal civilian agencies, local law enforcement agencies, and authorized foreign governments. Certifying officials are responsible for:

- validating the information stated in a voucher, supporting documents, and records,
- ensuring that all purchases are appropriate and charges are accurate within 5 days of receipt,
- ensuring the timely reconciliation and payment of all invoices, and upon receipt, validating both the fuel and non-fuel charges and that charges are correct in FES, and
- creating obligations for fuel charges before the interfund bill is issued and processing the DESC interfund bill for fuel transactions.

## ***AIR Card Users***

AIR Card Users must understand the policies and procedures for authorized AIR Card purchases and record-keeping requirements. Purchases of authorized non-fuel items are the responsibility of the AIR Card user's Command or authorized agency and are to be paid by the unit home station payment office.



# Appendix C. U.S. Government Aviation Into-Plane Reimbursement Card Program Hierarchy

Since November 1, 2004, DESC has been the DoD Executive Agent<sup>1</sup> for bulk petroleum.<sup>2</sup> Within DESC, the GFC Program Management Office is responsible for overall GFC program management, including establishing and managing a process to assess fuel charge card usage and payment, establishing and overseeing an organizational structure, identifying the Military Department GFC program coordinators and component program managers, and establishing roles and responsibilities for cardholders and Military Department fuel card managers. In addition, the GFC Program Management Office disseminates policy and training information, coordinates the enrollment of fuel charge card users and access to automated fuel systems, and issues instructions on how to use and manage GFCs, including the AIR Card.

Each Military Department is to have a CPM for the AIR Card, who develops, coordinates, publishes, and disseminates supplemental DoD fuel card policy and training materials for fuel card programs; provides access to agency-specific training sites; and ensures all program participants have access to adequate guidance, training, and assistance with routine program matters.

Each Major Command is to have an agency program coordinator for the AIR Card program, who communicates the agency's policies and procedures to AIR Card users, accountable officials, managers, and other responsible officials. Individual units have accountable officials, who are responsible for supporting the certification of payment vouchers and documents for vendor payment. Figure C.1 displays an organizational hierarchy for the AIR Card Program.

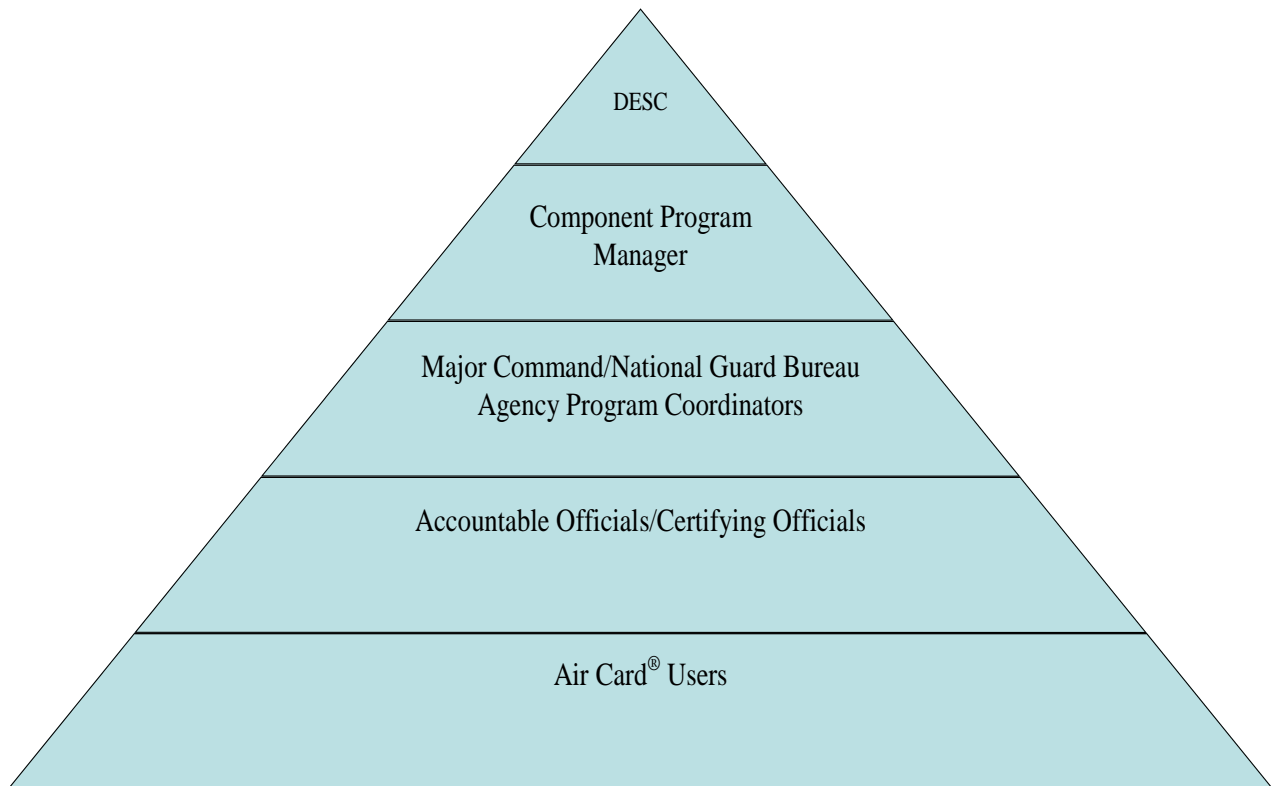
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<sup>1</sup>DoD Directive 5101.8, "DoD Executive Agent (DoD EA) for Bulk Petroleum," August 11, 2004, assigned Executive Agent responsibility to the Director, Defense Logistics Agency. In a November 1, 2004, memorandum, the Director, Defense Logistics Agency transferred the responsibility to DESC.

<sup>2</sup>Bulk petroleum is delivered in volumes greater than 55 U.S. gallons using tank trucks or cars, pipelines, coastal barges, hydrant systems, and ocean tankers.



**Figure C.1. AIR Card Program Hierarchy**



Note: See Appendix B for more information on AIR Card roles and responsibilities and on DoD guidance that assigns them.

## **Appendix D. Defense Energy Support Center U.S. Government Aviation Into-Plane Reimbursement Card Training**

To appoint and terminate accountable officials, DESC uses DoD Form 577, “Accountable Official Appointment/Termination.” On the form, DESC advises all accountable officials to review and adhere to DoD “Financial Management Regulation,” volume 5, chapter 33 and DoD Directive 4140.25-M, chapter 16, as annotated on the DoD Form 577. Upon acknowledgment of their appointment, accountable officials are also required to review AIR Card policy and take training that is offered on the DESC Fuel Card Management Web site. The AIR Card accountable official training provides:

- an overview of the AIR Card program,
- the AIR Card program hierarchy and responsibility,
- general policies and procedures,
- guidelines for establishing management controls,
- essential steps for developing an internal operating procedure, and
- ethical rules and disciplinary guidelines.

The online training module includes Web links to Federal and DoD management regulations governing charge cards, Military Standard Billing System guidance, information on processing AIR Card disputes, and policy on retaining financial records. In addition to accountable official responsibilities, the training highlights the primary responsibilities of those in the AIR Card program hierarchy, including the CPM, Commands, certifying officials, and AIR Card users.

DESC also offers a short briefing for AIR Card users that provides an overview of the AIR Card program, points of contact, procedures for use, and information on authorized purchases. All AIR Card program participants can access DESC’s Web site for additional policy information, program updates, and contract fuel locations.



## Appendix E. Data Call for Noncontract Fuel Purchases

Command/Unit	Number of Transactions	Gallons Purchased	Potential Savings
<b>Air Force Materiel Command</b>	<b>8</b>	<b>45,077</b>	<b>\$36,974</b>
Massachusetts Institute of Technology Lincoln Laboratory	8	45,077	36,974
<b>Air Force Reserve Command</b>	<b>109</b>	<b>437,749</b>	<b>\$458,769</b>
302 <sup>nd</sup> Aircraft Maintenance Squadron	37	130,082	157,555
914 <sup>th</sup> Airlift Wing	27	113,814	124,855
913 <sup>th</sup> Airlift Wing/Operations Group	14	51,793	60,164
757 <sup>th</sup> Airlift Squadron	9	31,974	35,775
96 <sup>th</sup> Airlift Squadron	9	36,447	28,931
758 <sup>th</sup> Airlift Squadron	5	18,515	18,963
337 <sup>th</sup> Airlift Squadron	4	44,330	20,025
440 <sup>th</sup> Airlift Wing/Operations Group	4	10,794	12,501
<b>Air Mobility Command</b>	<b>287</b>	<b>1,382,079</b>	<b>\$422,303</b>
6 <sup>th</sup> Operations Group	64	98,972	63,961
89 <sup>th</sup> Operations Group	58	137,765	66,219
437 <sup>th</sup> Operations Group	39	281,401	36,169
305 <sup>th</sup> Operations Group	32	291,205	42,839
62 <sup>nd</sup> Operations Group	27	197,140	27,254
60 <sup>th</sup> Operations Group	21	165,445	28,593
43 <sup>rd</sup> Aircraft Maintenance Squadron	16	52,295	58,392
22 <sup>nd</sup> Operations Group	12	75,035	36,032
317 <sup>th</sup> Airlift Group	7	26,872	30,693
436 <sup>th</sup> Operations Group	6	38,746	11,314
463 <sup>rd</sup> Airlift Group	5	17,203	20,837
<b>Air National Guard</b>	<b>121</b>	<b>413,843</b>	<b>\$471,549</b>
182 <sup>nd</sup> Airlift Wing	17	61,326	80,542
179 <sup>th</sup> Airlift Wing	15	48,423	55,706
Missouri Air National Guard	13	34,526	37,090
153 <sup>rd</sup> Airlift Wing	12	40,803	37,049
105 <sup>th</sup> Airlift Squadron	9	31,788	36,772
127 <sup>th</sup> Wing/171st Airlift Squadron	8	28,426	26,350
136 <sup>th</sup> Operations Support Squadron	8	22,869	25,761
130 <sup>th</sup> Airlift Squadron	6	22,650	27,085

Command/Unit	Number of Transactions	Gallons Purchased	Potential Savings
133 <sup>rd</sup> Airlift Wing	6	21,517	\$26,676
156 <sup>th</sup> Airlift Squadron	5	24,700	32,222
175 <sup>th</sup> Wing	5	12,833	14,976
166 <sup>th</sup> Operations Support Flight	4	14,345	16,025
143 <sup>rd</sup> Operations Group	4	12,717	15,785
137 <sup>th</sup> Operations Group	4	15,213	15,050
115 <sup>th</sup> Airlift Squadron	3	11,978	14,078
157 <sup>th</sup> Air Refueling Wing	2	9,729	10,382
<b>Pacific Air Forces</b>	<b>5</b>	<b>9,999</b>	<b>\$11,910</b>
374 <sup>th</sup> Operations Group	5	9,999	11,910
<b>U.S. Air Forces in Europe</b>	<b>47</b>	<b>30,433</b>	<b>\$35,282</b>
86 <sup>th</sup> Maintenance Group	45	20,513	23,777
86 <sup>th</sup> Maintenance Group/Maintenance Operation Squadron	2	9,920	11,505
<b>Total</b>	<b>577</b>	<b>2,319,180</b>	<b>\$1,436,787</b>

# Department of the Air Force Comments



**DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON, DC**

5 Feb 09

MEMORANDUM FOR DoD IG

FROM: AF/A3O  
1480 Air Force Pentagon  
Washington DC 20330-1480

SUBJECT: Report on Air Force Management of the U.S. Government Aviation Into-Plane Reimbursement Card Program (Project No. D2007-D000LD-0224.000)

1. In response to DoD Inspector General's (DoDIG's) memorandum on 8 Jan 09, the Air Force Component Program Manager (AFCPM) reviewed your report on the internal control weaknesses and offers comments based on the synopsis of your recommendations found on page i:
  - a. develop and disseminate supplemental, Air Force-specific guidance and procedures on use of the AIR Card,
  - b. establish an organizational reporting & oversight structure for the AIR Card Program,
  - c. develop an Air Force-specific training program and ensure training for all personnel involved in the AIR Card functions,
  - d. research questionable charges and request refunds where applicable, and
  - e. cancel active AIR Cards for retired aircraft.
2. Comments (Attachment 1) respond to your specific recommendations found on pages 17-18 of the draft report
3. My point of contact is Col Scott Bishop at (703) 695-7333 or via e-mail at [scott.bishop@pentagon.af.mil](mailto:scott.bishop@pentagon.af.mil).

A handwritten signature in black ink, appearing to read "Marke F. Gibson", is located above the typed name.

MARKE F. GIBSON, Maj Gen, USAF  
Director of Operations  
DCS, Operations, Plans, and Requirements

Attachment  
AF/A3O Response to Project No. D2007-D000LD-0224.000

Attachment 1  
AF/A3O Response to Project No. D2007-D000LD-0224.000

Recommendation 1. Concur. The AFCPM is currently addressing all necessary issues to ensure compliance with established DoD regulations and guidance. As early as August of 2008, the development of specific guidance began and is currently ongoing. Defense Energy Support Center (DESC) continues to provide invaluable assistance to the AFCPM with regards to supplemental guidance. The AFCPM is working with other internal AF agencies, including the AF Petroleum Office to modify, update, and create processes and guidance for AIRCard users. While great strides have been made, the AFCPM office will need to have several personnel assigned full-time duties to continue to build this program.

Recommendation 2. Concur. All AF Major Commands (MAJCOMs) were directed to assign an Agency Program Coordinator (APC). Nine of the 10 MAJCOMs have assigned an APC. We expect the last MAJCOM to name their APC shortly. These individuals/offices will work closely with the AFCPM to ensure proper oversight and guidance is provided to individual Wing Refueling Document Control Officers (WRDCOs), Accountable Officials (AOs) and AIR Card users. The first APCs were identified prior to October of 2008. The 10<sup>th</sup> and final APC will be identified no later than February of 2009. Six of the 9 MAJCOMs have placed this position in the A3 (Operations directorate). Three MAJCOMs have identified the A4 (Logistics directorate) as the lead directorate. The final MAJCOM is currently splitting AIRCard responsibilities between its A3 and A4 directorates until a permanent APC is designated. Each MAJCOM was given the ability to place this position where it wanted to in order to best meet operational, manpower and other various requirements. Attached, you will find an example of the APC appointment letter and an organizational chart showing the hierarchy of the program.

Recommendation 3. Concur. The AFCPM, in conjunction with each MAJCOM APC, is currently developing a standardized training program for all AF personnel involved with AIR Card functions. The training will build on existing DESC training and will be tailored to meet AF needs and requirements. The AFCPM began familiarizing himself with the Navy's sister program back in November of 2008. Ideally, the training and information available for those involved in AIR Card issues will be similar in structure and content to the information found on the Navy's Consolidated Card Program Management Division. He has since consulted with personnel at DESC, Multi Service Corporation, AF AOs, and the MAJCOM APCs to best determine what information and guidance needs to be incorporated into a standard training program. When funding requirements have been established, all necessary training will be located at a to-be-designated AFCPM website, accessible to all AIR Card users. The AFCPM will develop a powerpoint-based presentation to cover necessary information regarding the AIR Card program. MAJCOM APCs will then review the training and ensure that each of the AOs within his or her MAJCOM also complete the required training. MAJCOM APCs will keep records of all training completed. AOs will only need to complete initial training. The AFCPM will make the training available to all interested AIR Card users. The AFCPM will also ensure processes are put into place to ensure that new AOs and APCs also receive necessary training when assigned AIR Card responsibilities. APCs will be responsible for maintaining all applicable records when their AOs complete necessary training. APCs will also be responsible for maintaining contact information for each AO and ensuring proper paperwork is

Not Included,  
Contains Personally  
Identifiable  
Information

completed when the ownership of an account is changed or modified, either temporarily or permanently.

Recommendation 4a. Concur. The AFCPM contacted the APCs that oversee the units that were included in the 13 charges in which fuel purchases exceeded aircraft capacity by \$284,322.82. This first step was accomplished in January of 2009 and is currently being researched. Refunds will be requested when they are found to be necessary and applicable.

Recommendation 4b. Concur. Based on the initial list provided by DoDIG in January of 2008 and then updated in March, all active AIR Cards for retired aircraft have been cancelled. This was verified by a data call in September of 2008. The AFCPM worked with DESC and the Aircraft Maintenance and Regeneration Group (AMARG) to instill a process that ensures AIR Cards assigned to aircraft being retired will be destroyed upon the retired aircraft's arrival at the AMARG. This process began on January 21<sup>st</sup>, 2009. APCs were notified of this procedural change. Please see the enclosed attachment for the new form being used by the AMARG.

Recommendation 4c. Concur. A DESC representative researched and finalized the \$457,000 in questionable charges incurred against retired aircraft. This matter is now closed.



# AIR Card® Termination Form

Date (MM/DD/YYYY): \_\_\_\_\_

Owning Unit: \_\_\_\_\_

Base: \_\_\_\_\_

Base DoDAAC: \_\_\_\_\_

MAJCOM (please circle): ACC AETC AFMC AFRC AFSPC AMC ANG AFSOC PACAF USAFE

Aircraft / Model : \_\_\_\_\_

Aircraft Tail Number (8 Digits): \_\_\_\_\_

Multi Service AIR Card® Number (Last 8 Digits): \_\_\_\_\_

AMARG representative who destroyed AIR Card® and e-mailed/faxed sheet to DESC-RRF:

Name: \_\_\_\_\_ Signature: \_\_\_\_\_

Aircraft Commander/aircrew representative who surrendered AIR Card® to AMARG representative:

Name: \_\_\_\_\_ Signature: \_\_\_\_\_

Address for AIR Card® Termination Form to be faxed/e-mailed to:

DESC-RRF

Defense Energy Support Center

San Antonio, Texas 78236-9828

Office: (210) 925-4885 [[DSN 945]] / Fax: (210) 925-0555 [[DSN 945]]

E-mail: [aircard@dla.mil](mailto:aircard@dla.mil)

Photocopy front side of AIR Card® in this block before card is destroyed and form is submitted to DESC.

Attachment 3

Current as of 14 Jan 2009





# Inspector General Department *of* Defense

